

UNREGULATED UTILITY POWER COST EQUALIZATION MEMORANDUM

Date: December 17, 2020
Filing Date Due: December 31, 2020
Date Annual Report Filed: July 27, 2020
Date Fuel Report Filed: October 16, 2020
Extension Date: December 23, 2020¹

File No.: PC105-1220

Name of Utility: Pelican, City of

<input checked="" type="checkbox"/> Annual Update	<input type="checkbox"/> COPA Review
<input checked="" type="checkbox"/> Fuel Cost Update	<input type="checkbox"/> Non-Fuel Cost Change
<input type="checkbox"/> Base Rate Change	<input type="checkbox"/> kWh Sales Change
<input type="checkbox"/> Other _____	

STAFF RECOMMENDATIONS: Approval of updated Permanent PCE amounts (see attached memo)

PCE AMOUNT SUMMARY	Previously Approved	Staff Recommended
PCE AMOUNTS (In Cents/kWh)	<u>Date Approved:</u> July 11, 2019	
Residential	0.00¢	5.48¢
Community up to 6,510	0.00¢	9.89¢
Community over 6,511	0.00¢	9.89¢

Signed: Brenda Cox *Brenda Cox* Utility Financial Analyst

Commission decision re. this recommendation:

	Date (if different from 12/17/20)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____	<u><i>RMP</i></u>	_____	_____
McAlpine	_____	<u><i>SM</i></u>	_____	_____
Scott	_____	<u><i>AGS</i></u>	_____	_____
Sullivan	_____	<u><i>AS</i></u>	_____	_____
Wilson	_____	<u><i>JW</i></u>	_____	_____

¹ On November 23, 2020, the City of Pelican agreed to extend the review deadline to December 23, 2020 for its PCE fuel report.

Special Instructions to Staff:

* If this column is initialed, Staff will contact the Commissioner for the statement, otherwise, dissent will simply be noted at the close of the By Direction Letter or Order.

Memorandum

TO: Robert M. Pickett, Chairman
Stephen McAlpine
Antony D. Scott
Daniel A. Sullivan
Janis Wilson

DATE: December 17, 2020

FROM: Brenda Cox
Utility Financial Analyst

RE: Pelican, City of
PC105-1220

Recommendations

1. Updated PCE amounts should be effective for bills rendered on or after December 18, 2020.
2. Approval should be: ☒ Permanent ☐ Interim
3. Standard reminder language for notice specifications, efficiency, and rate changes should be included in the By Direction Letter to the utility.

Background

On July 27, 2020, the City of Pelican (PELICAN) filed its Power Cost Equalization (PCE) annual report (annual report) for the test year ending June 30, 2020 (FY20). On October 16, 2020, PELICAN filed its Non-Regulated PCE Fuel and Purchased Power Cost Report Form (fuel report). PELICAN filed several supplements.² Staff's contact for this filing was Ms. Lattieca Stewart, city clerk.

Staff notes that PELICAN's PCE amount has been \$0.00 per kWh since February 2, 2017.³ After speaking with Jeff Williams, with the Alaska Energy Authority,⁴ Staff performed a preliminary review of PELICAN's 2020 annual report and determined that PELICAN's PCE amount would no longer be \$0.00 per kWh if a complete review was done. As such, although Staff reviewed PELICAN's FY2019 annual report, Staff reviewed PELICAN's FY2020 annual report.⁵

² Supplements were filed October 20, 2020 and November 3, 9, 23, 2020.

³ See PC105-1216, Letter Order L1700016, dated February 6, 2017.

⁴ Staff spoke with Jeff Williams by telephone on October 7, 2020.

⁵ 3 AAC 52.640(c) The commission will, in its discretion, adjust the power cost equalization per kilowatt-hour of a participating electric utility based on

Summary

After Staff's proposed adjustments, PELICAN's total costs per kiloWatt-hour (kWh) have increased by 17.67 cents (¢) from 13.37¢/kWh (FY19) to 31.04¢/kWh (FY20). PELICAN's reported fuel efficiency has increased from 12.00 kWh/gallon (FY19) to 13.27 kWh/gallon (FY20). Reported line loss decreased from 12% (FY19) to 5.57% (FY20). Staff's detailed analysis of this filing follows:

Analysis

Non-Fuel Costs

Total reported non-fuel costs increased \$66,180 from \$134,367 (FY19) to \$200,548 (FY20). Staff attempted to verify the Income Statement with the Profit & Loss by Class (P&L), filed with the annual report. Staff emailed Ms. Stewart a list of accounts on the Income Statement that Staff was unable to locate on the P&L.⁶ Ms. Stewart provided the requested information on the accounts and advised she had used a P&L to complete the Income Statement that had been printed before the accounts were reconciled.⁷ Staff used the P&L filed with the annual report for its review. PELICAN also filed a revised Electric Utility PCE Data Form which Staff used in its review.⁸ Staff reviewed PELICAN's non-fuel costs by category noting the following (see Schedule BKC-1):

Personnel Expenses increased \$834 from \$76,152 (FY19) to \$76,986 (FY 20). Staff recommends no adjustments.

Operating Expenses increased \$45,826 from \$23,649 (FY19) to \$69,475 (FY20). Staff asked for detailed schedules for Materials & Supplies in the amount of \$11,751 and Maintenance & Supplies in the amount of \$44,342. Ms. Stewart provided the schedules which Staff reviewed.⁹ In addition, Ms. Stewart advised a portion of Maintenance and Repair was for repair of the Hydro system.¹⁰ Staff emailed Ms. Stewart a copy of the P&L and asked her to highlight the amounts related to the Hydro repair. Ms. Stewart provided the information which showed that \$34,831 of Maintenance and Repair, \$18,950 of Outside Professional Services, and \$5,004 of Travel were related to the Hydro repair.¹¹ Staff notes these were not routine maintenance costs but emergency repairs to the Hydro

(1) a review by the commission or by the Alaska Energy Authority of monthly data submitted by the utility to the Alaska Energy Authority;

(2) a review of the annual filing submitted by the utility; ...

⁶ Staff sent an email on October 16, 2020.

⁷ See Supplement filed October 20, 2020.

⁸ See Supplement filed November 3, 2020.

⁹ See Supplement filed November 3, 2020.

¹⁰ Staff contacted Ms. Stewart by telephone on November 6, 2020.

¹¹ See Supplement filed November 9, 2020.

system. Staff notes Outside Professional Services and Travel are reported under General & Administrative Expenses. The Hydro repairs are extraordinary costs and Staff recommends reclassifying these amounts to the Schedule of Depreciation and Amortization, to be amortized over 3-years.¹²

Staff noted Materials & Supplies included \$4 for late charges which Staff recommends disallowing because it is an avoidable cost.¹³

Therefore, Staff recommends **Adjustment 1 (Appendix 2)** to decrease Operating Expense by \$34,835 (\$34,831 + \$4).

General & Administrative Expenses increased \$35,042 from \$19,045 (FY19) to \$54,087 (FY20). As noted earlier, Ms. Stewart advised \$18,950 of Outside Professional Services and \$5,004 of Travel were related to the Hydro repair. Staff recommends reclassifying these to the Schedule of Depreciation and Amortization to be amortized over 3-years.¹⁴ Staff recommends **Adjustment 2 (Appendix 2)** to decrease General & Administrative Expenses by \$23,954 (\$18,950 + \$5,004).

Depreciation and Amortization Expense decreased \$15,521 from \$15,521 (FY19) to \$0 (FY20). Staff used the Schedule of Depreciation and Amortization from the last annual report approved¹⁵ and added the Hydro Repairs in the amount of \$58,785 (\$34,831 + \$18,950 + \$5,004). Staff calculated depreciation and amortization expense to be \$35,116 (see Schedule BKC-2). Staff recommends **Adjustment 3 (Appendix 2)** to increase the Depreciation and Amortization Expense by \$35,116.

Fuel Costs

On October 16, 2020, PELICAN filed its fuel report for the period of July 1, 2020 to September 30, 2020. PELICAN reported its actual cost of fuel to be \$2.55/gallon,¹⁶ which includes \$2.251 for diesel #2, \$0.243 for Federal Excise Tax, \$0.05 for State Excise Tax -Marine, \$0.0095 for State of Alaska – fuel surcharge, and \$0.001 for Federal LUST Tax.¹⁷ Staff used \$2.5045/gallon for the cost of fuel Staff did not include the \$0.05 for State Excise Tax - Marine because fuel used by power plants for power generation are exempt and entitled to a refund of the motor fuel tax paid.¹⁸ This data is included on Appendix 2.

¹² Staff recommends a useful life of 3-years because it is the Commissions goal to review PCE annual reports every three years.

¹³ See Supplement filed October 20, 2020.

¹⁴ Staff recommends a useful life of 3-years because it is the Commissions goal to review PCE annual reports every three years.

¹⁵ PC105-1219, Letter Order L2000023, dated February 7, 2020.

¹⁶ Staff notes PEICAN's cost of fuel is \$2.5545/gal however, Pelican rounded down to \$2.55 on Pelican Fuel Dock invoice #5123 dated September 28, 2020.

¹⁷ See Petro Marine invoice #59501, dated August 28, 2020.

¹⁸ See AS 43.40.015(d)(1), AS 43.40.030(d), and AS 43.40.100(C).

Electric Utility PCE Data Form

PELICAN reported 602,251 kWhs Sold for FY2020 and 1,099,595 for FY2019.¹⁹ Staff asked PELICAN to double check the amount of kWh sold reported on the PCE Data Form and reminded PELICAN that all sold, unbilled, and donated kWh's should be reported. On November 3, 2020, Ms. Stewart filed a revised PCE Data form which showed 1,017,530 kWhs sold. Staff used the information from the revised form for this PCE annual report review.

¹⁹ Staff notes 1,099,595 was reported and adjusted to 1,155,881 to meet line loss standards in PC105-1219, Letter Order L2000023, dated February 7, 2020.

City of Pelican

APPENDIX 1

POWER COST EQUALIZATION CALCULATION FOR THE TEST PERIOD ENDING June 30, 2020 Annual Update and Fuel Report

		PC105-1019C	PC105-1220	
		Prior Commission Approved	Utility Request	Staff Recommended
A.	Total KWH Generated	1,377,156	1,137,744	1,137,744
B.	Total KWH Sold (Appendix 2)	1,155,881	1,017,530	1,017,530
C.	Total Non-Fuel Costs (Appendix 2)	134,367	200,548	176,874
D.	Non-Fuel Cost/KWH (C / B)	\$0.1162	\$0.1971	\$0.1738
E.	Total Fuel Costs (Appendix 2)	20,206	138,947	138,947
F.	Fuel Costs/KWH (E / B)	\$0.0175	\$0.1366	\$0.1366
G.	Eligible Costs/KWH (D + F)	\$0.1337	\$0.3336	\$0.3104
H.	Eligible Cost/KWH (G) Less 20.63 cents/kWh	(\$0.0726)	\$0.1273	\$0.1041
I.	Lesser of (H) or 79.37 cents/kWh	(\$0.0726)	\$0.1273	\$0.1041
J.	Average Class Rates (Appendix 3)			
	Residential	\$0.0548	\$0.0548	\$0.0548
	Community up to 6,510	\$0.2848	\$0.2848	\$0.2848
	Community over 6,511	\$0.1437	\$0.1437	\$0.1437
		Class Power Cost Equalization Per kWh Payable		
K.	Lesser of: (I) x 95%, or (J)			
	Residential	(\$0.0689)	\$0.0548	\$0.0548
	Community up to 6,510	(\$0.0689)	\$0.1210	\$0.0989
	Community over 6,511	(\$0.0689)	\$0.1210	\$0.0989
L.	Funding Level in Effect	100%	100%	100%
	Residential	\$0.0000	\$0.0548	\$0.0548
	Community up to 6,510	\$0.0000	\$0.1210	\$0.0989
	Community over 6,511	\$0.0000	\$0.1210	\$0.0989

PC105-1220
Appendix 1

City of Pelican

APPENDIX 2

SCHEDULE OF ELIGIBLE POWER COSTS, SALES AND EFFICIENCY FOR THE TEST PERIOD ENDING June 30, 2020

Annual Update and Fuel Report

		PC105-1019C		PC105-1220	
		Prior Commission Approved	Per Utility	Staff Adjustments	Staff Recommended
Non-Fuel Costs:					
A.	Personnel Expense	76,152	76,986	0	76,986
B.	Operating Expense	23,649	69,475	Adj. #1 (34,835)	34,639
C.	General and Administrative Expense	19,045	54,087	Adj. #2 (23,954)	30,133
D.	Depreciation Expense	15,521	0	Adj. #3 35,116	35,116
E.	Other Expense	0	0	0	0
F.	Total Non-Fuel Costs	134,367	200,548	(23,673)	176,874
Fuel Costs:					
G.	Gallons Consumed for Electric Generation	8,915	55,479		55,479
H.	Price of Fuel: (per gal.) Actual Cost 8/28/2020 Invoice # 59501	2.2665	2.5045		2.5045
I.	Total Fuel Costs	20,206	138,947	0	138,947
J.	Total kWh Generated	1,377,156	1,137,744		1,137,744
J.1	Diesel kWh Generated	106,945	736,466		736,466
J.2	Hydro kWh Generated	1,270,211	401,278		401,278
K.	kWh Sales	1,155,881	1,017,530		1,017,530
L.	kWh Station Service	56,016	56,820		56,820
M.	Efficiency (J.1 / G)	≥ <u>Standard</u> 12.0	12.00		13.27
N.	Line Loss	≤ 12%	12.00%		5.57%
(kWh generated - (kWh Sold + Station Service))/kWh generated					

Staff notes Pelican included the State motor fuel tax of \$0.05 in the cost per gallon of fuel on its Fuel Report. Staff removed the motor fuel tax from the amount reported to calculate the cost per gallon listed above. Staff removed it because fuel used by power plants for power generation are exempt and entitled to a refund of the motor fuel tax paid. (AS 43.40.015(d)(1), AS 43.40.030(d), and AS 43.40.100(C))

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Appendix 2

CALCULATION OF AVERAGE CLASS RATE PER kWh

Rate Schedule: **Residential**

Customer Charge \$10.54

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)+CC	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.2063
0 to 500	0.2400	0.0000	0.2400	130.5400		
to						
to						
to						
Max 500			Total	130.5400	0.2611	0.0548

Rate Schedule:

Customer Charge;

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)+CC	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.2063
0 to						
to						
to						
to						
Max			Total			

Rate Schedule:

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.2063
0 to						
to						
to						
to						
Max			Total			

CALCULATION OF COMMUNITY FACILITY AVERAGE RATE PER kWh
TEST PERIOD: Current Rates

Rate Schedule: Community		Customer Charge		10.54
(1) Block	(2) Rate/ kWh	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) <small>((2+3)*500+CC)</small>	(6) Average Rate (4/1)(\$/kWh)- \$ 0.2063
0 to 6,510	0.4700		0.4911	0.2848
6511 to	0.3500		0.3500	0.1437
to				

Rate Schedule:

(1) Block	(2) Rate/ kWh	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(6) Average Rate(\$/kWh)- \$ 0.2063
0 to				
to				
to				

Rate Schedule:

(1) Block	(2) Rate/ kWh	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(6) Average Rate(\$/kWh)- \$ 0.2063
0 to				
to				
to				

Rate Schedule:

(1) Block	(2) Rate/ kWh	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(6) Average Rate(\$/kWh)- \$ 0.2063
0 to				
to				
to				

City of Pelican

Trend Analysis

	2019	2020				
	Amended Expenses	Utility Filing	Variance		Staff Adjustments	Amended Expenses
			\$	%		
Personnel Expenses						
Salaries & wages	64,369	71,154	6,785	10.54%		71,154
Employer Portion of Payroll Taxes	6,901	5,832	(1,069)	(15.49%)		5,832
Other - WC, PERS	4,882	0	(4,882)	(100.00%)		0
Other	0	0	0	0.00%		0
Total Employer Paid Taxes	11,783	5,832	(5,951)	(50.51%)		5,832
Total Personnel Expenses	76,152	76,986	834	1.09%	0	76,986
Operating Expenses						
Generator Oil	1,976	2,017	41	2.06%		2,017
Generator Filters	0	0	0	(100.00%)		0
Generator Repairs and Maintenance	9,645	44,342	34,697	359.75%	(34,831)	9,511
Tools	0	0	0	0.00%		0
Equipment Rental	0	0	0	0.00%		0
Other: Supplies	5,162	1,927	(3,235)	0.00%		1,927
Other.	6,866	21,189	14,323	208.62%	(4)	21,185
Total Operating Expenses	23,649	69,475	45,826	193.78%	(34,835)	34,639
General and Administrative						
Outside Professional Services:	0	28,678	28,678	100.00%	(18,950)	9,728
Insurance	12,750	15,164	2,414	18.93%		15,164
Office Supplies	0	527	527	100.00%		527
Postage	2,278	0	(2,278)	(100.00%)		0
Office Rent	0	0	0	0.00%		0
Travel/Education	585	5,004	4,419	755.38%	(5,004)	0
Training	0	0	0	0.00%		0
Bad Debt Expense	0	0	0	0.00%		0
RCA Fees	0	0	0	(100.00%)		0
Telephone	1,393	3,024	1,631	117.14%		3,024
Postage & Business License	0	0	0	0.00%		0
Miscellaneous	2,040	1,690	(349)	(17.12%)		1,690
Total General and Administrative	19,045	54,087	35,042	183.99%	(23,954)	30,133
Interest Expense	0	0	0	0.00%	0	0
Depreciation and Amortization Expense	15,521	0	(15,521)	(100.00%)	35,116	35,116
TOTAL	134,367	200,548	66,180	49.25%	(23,673)	176,874
kWh Generated	1,377,156	1,137,744	(239,412)	(17.38%)		1,137,744
Diesel kWh Generated	106,945	736,466	629,521	588.64%		736,466
Hydro kWh Generated	1,270,211	401,278	(868,933)	(68.41%)		401,278
kWh Sold	1,155,881	1,017,530	(138,351)	(11.97%)		1,017,530
Gallons Consumed	8,915	55,479	46,564	522.31%		55,479
kWh Station Service	56,016	56,820	804	1.44%		56,820
Efficiency	12.00	13.27	1.28	10.66%		13.27
Line loss	12.00%	5.57%	-6.43%	(53.57%)		5.57%

City of Pelican

Schedule of Depreciation and Amortization
FOR TEST YEAR ENDING: June 30, 2020

<u>Asset</u>	<u>Date placed in service</u>	<u>Cost</u>	<u>Life</u>	<u>Book Value 6/30/2019</u>	<u>Accum Depr 6/30/2019</u>	<u>2020 Depreciation</u>	<u>Accum Depreciation 6/30/2020</u>	<u>Book Value 6/30/2020</u>
Hydroelectric generation*		48,024		26,500	21,524	1,105	22,629	25,395
Transformers	2016	5,034	20	1,008	4,026	252	4,278	756
Easy Gen Computer Upgrade	2019	54,788	6	45,657	9,131	9,131	18,262	36,526
Line damage repair	2019	15,099	3	10,066	5,033	5,033	10,066	5,033
Hydro Repairs	2020	58,785	3	-	-	19,595	19,595	39,190
Total		<u>181,730</u>		<u>83,231</u>	<u>39,714</u>	<u>35,116</u>	<u>74,830</u>	<u>106,900</u>

* 2009 Cost taken from U-11-001 Exhibit 6 and U-11-131 Exhibit B, page 4.
Staff Carried depreciation forward from that point.

Utility Reported Depreciation	<u>0</u>
Staff Recommended Adjustment	<u><u>\$ 35,116</u></u>

Signature: 

Email: bob.pickett@alaska.gov

Signature: 
Stephen McAlpine (Dec 17, 2020 08:49 AKST)

Email: stephen.mcalpine@alaska.gov

Signature: 
Antony Scott (Dec 17, 2020 09:21 AKST)

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Signature: 
Daniel Sullivan (Dec 17, 2020 10:34 AKST)

Email: daniel.sullivan@alaska.gov

Signature: 
Jan Wilson (Dec 17, 2020 16:46 AKST)

Email: janis.wilson@alaska.gov

PC105-1220
Schedule BKC-2